

Agency Proposed Budget

The following table summarizes the total executive budget proposal for the agency by year, type of expenditure, and source of funding.

Agency Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	707.48	6.60	0.00	714.08	6.60	0.00	714.08	714.08
Personal Services	27,192,817	3,858,869	0	31,051,686	3,855,457	0	31,048,274	62,099,960
Operating Expenses	15,428,118	2,203,849	0	17,631,967	2,269,856	0	17,697,974	35,329,941
Equipment	358,420	39,000	0	397,420	35,000	0	393,420	790,840
Capital Outlay	0	0	0	0	0	0	0	0
Grants	16,811,904	0	0	16,811,904	0	0	16,811,904	33,623,808
Benefits & Claims	186,799	0	0	186,799	0	0	186,799	373,598
Transfers	129,297	0	0	129,297	0	0	129,297	258,594
Debt Service	3,775	0	0	3,775	0	0	3,775	7,550
Total Costs	\$60,111,130	\$6,101,718	\$0	\$66,212,848	\$6,160,313	\$0	\$66,271,443	\$132,484,291
General Fund	1,155,525	56,889	613,665	1,826,079	81,280	611,535	1,848,340	3,674,419
State/Other Special	24,912,507	2,783,103	(9,248)	27,686,362	3,016,972	(7,118)	27,922,361	55,608,723
Federal Special	33,982,053	3,242,564	(604,417)	36,620,200	3,043,758	(604,417)	36,421,394	73,041,594
Proprietary	61,045	19,162	0	80,207	18,303	0	79,348	159,555
Total Funds	\$60,111,130	\$6,101,718	\$0	\$66,212,848	\$6,160,313	\$0	\$66,271,443	\$132,484,291

Agency Description

The Department of Labor and Industry has a number of functions. In part, the department:

- oversees and regulates the Montana Workers' Compensation system
- enforces state and federal labor standards, anti-discrimination laws, and state and federal safety-occupational health laws
- provides adjudicative services in labor-management disputes
- administers the unemployment insurance program and disburses state unemployment benefits;
- serves as an employment agency, provides job training to assist individuals in preparing for and finding jobs, and assists employers in finding workers
- oversees federal and state training and apprenticeship programs
- conducts research and collects employment statistics
- administers the federal AmeriCorps, Campus Corps, and Volunteer Montana programs through the Office of Community Services
- licenses, inspects, tests, and certifies all weighing or measuring devices used in making commercial transactions in the State of Montana
- provides administrative and clerical services to the 38 professional boards and occupational licensing programs authorized by state statutes
- establishes and enforces minimum building codes

Structurally, the department is divided into five divisions: 1) Workforce Services; 2) Unemployment Insurance; 3) Commissioner's Office/Centralized Services; 4) Employment Relations (including the Human Rights Commission); and 5) Business Standards. The Office of Community Services and Workers' Compensation Court are administratively attached.

Agency Highlights

Department of Labor Major Budget Highlights	
<ul style="list-style-type: none"> Total funds increase \$12.2 million or about 9 percent for the biennium. Increased debt collection costs add \$200,000 over the biennium in the Employment Relations Division General fund increases due to funding switches in several programs from the employment security account to the general fund of \$1.2 million for the biennium State special revenue increases are due to the net impact of: <ul style="list-style-type: none"> Funding switch from one-time Reed Act monies Indirect costs and recharges of \$1.4 million Statewide present law adjustments of \$740,000 Increased professional services of \$290,000 Increased travel and restore per diem of \$552,000 Federal special revenue increases are primarily due to: <ul style="list-style-type: none"> The transfer of \$1.8 million in on-going costs associated with the transfer of the Unemployment Insurance Contributions Bureau from the Department of Revenue \$3.2 million in statewide present law adjustments for 43 positions not in the base but funded through present law adjustments FTE would be added primarily due to the transfer of the Unemployment Insurance Contributions Bureau 	
Major LFD Issues	
<ul style="list-style-type: none"> The Employment Security account has a large fund balance and the executive is recommending that certain programs be funded with general fund that was funded with in the Reed Act funds in the 2005 biennium 	

Funding

The following table summarizes funding for the agency, by program and source, as recommended by the Governor. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2007 Biennium Executive Budget						
Agency Program	General Fund	State Spec.	Fed Spec.	Proprietary	Grand Total	Total %
01 Work Force Services Division	\$ 1,474,613	\$ 15,194,884	\$ 47,947,636	\$ -	\$ 64,617,133	48.8%
02 Unemployment Insurance Divisio	-	855,226	18,085,818	-	\$ 18,941,044	14.3%
03 Commissioner'S Office/Csd	387,915	1,524,625	924,940	159,555	\$ 2,997,035	2.3%
04 Employment Relations Division	1,713,915	13,293,239	1,273,982	-	\$ 16,281,136	12.3%
05 Business Standards Division	-	23,632,238	-	-	\$ 23,632,238	17.8%
07 Office Of Community Services	97,976	-	4,809,218	-	\$ 4,907,194	3.7%
09 Workers Compensation Court	-	1,108,511	-	-	\$ 1,108,511	0.8%
Grand Total	<u>\$ 3,674,419</u>	<u>\$ 55,608,723</u>	<u>\$ 73,041,594</u>	<u>\$ 159,555</u>	<u>\$ 132,484,291</u>	<u>100.0%</u>

Biennium Budget Comparison

The following table compares the executive budget request in the 2007 biennium with the 2005 biennium by type of expenditure and source of funding. The 2005 biennium consists of actual FY 2004 expenditures and FY 2005 appropriations.

Biennium Budget Comparison								
Budget Item	Present Law Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	Present Law Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Biennium Fiscal 04-05	Total Exec. Budget Fiscal 06-07
FTE	714.08	0.00	714.08	714.08	0.00	714.08	707.48	714.08
Personal Services	31,051,686	0	31,051,686	31,048,274	0	31,048,274	58,262,064	62,099,960
Operating Expenses	17,631,967	0	17,631,967	17,697,974	0	17,697,974	33,040,064	35,329,941
Equipment	397,420	0	397,420	393,420	0	393,420	820,423	790,840
Capital Outlay	0	0	0	0	0	0	965	0
Grants	16,811,904	0	16,811,904	16,811,904	0	16,811,904	33,655,615	33,623,808
Benefits & Claims	186,799	0	186,799	186,799	0	186,799	426,896	373,598
Transfers	129,297	0	129,297	129,297	0	129,297	899,010	258,594
Debt Service	3,775	0	3,775	3,775	0	3,775	8,375	7,550
Total Costs	\$66,212,848	\$0	\$66,212,848	\$66,271,443	\$0	\$66,271,443	\$127,113,412	\$132,484,291
General Fund	1,212,414	613,665	1,826,079	1,236,805	611,535	1,848,340	2,353,932	3,674,419
State/Other Special	27,695,610	(9,248)	27,686,362	27,929,479	(7,118)	27,922,361	51,598,862	55,608,723
Federal Special	37,224,617	(604,417)	36,620,200	37,025,811	(604,417)	36,421,394	72,235,318	73,041,594
Proprietary	80,207	0	80,207	79,348	0	79,348	925,300	159,555
Total Funds	\$66,212,848	\$0	\$66,212,848	\$66,271,443	\$0	\$66,271,443	\$127,113,412	\$132,484,291

New Proposals

The "New Proposal" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
Program	-----Fiscal 2006-----					-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - General Fund/ESA/Reed Act Funding Switch										
01	0.00	363,222	241,195	(604,417)	0	0.00	362,600	241,817	(604,417)	0
DP 2 - General Fund/ESA Fund Switch										
04	0.00	193,506	(193,506)	0	0	0.00	192,090	(192,090)	0	0
DP 3 - General Fund/ESA Fund Switch										
03	0.00	56,194	(56,194)	0	0	0.00	56,102	(56,102)	0	0
DP 4 - General Fund/ESA Fund Switch										
07	0.00	743	(743)	0	0	0.00	743	(743)	0	0
Total	0.00	\$613,665	(\$9,248)	(\$604,417)	\$0	0.00	\$611,535	(\$7,118)	(\$604,417)	\$0

Agency Issues*Employment Security Account*History

The legislature established the employment security account (ESA) in 1983 to address the funding deficit in federal funding for employment services and to maintain delivery of employment services thorough rural job services offices. The ESA is funded by an employer tax on unemployment insurance taxable wages, currently at 0.13 percent on employers with experience ratings and 0.05 percent on total wages for employers without experience ratings. Through 1999, the assessment rate was 0.10 percent on taxable wages. The 1999 legislature passed HB 282 and raised the rate to 0.13 percent and lowered the unemployment insurance tax by 0.03 percent. Prior to 1989, \$8.6 million was transferred to the Unemployment Insurance Trust Fund per statute from this account.

Purpose

The ESA is established in 39-51-409, MCA. There are currently no statutory or administrative limitations on the usage of the ESA. However, the Department of Labor and Industry states they have made a commitment to employers that the ESA funds would be used to keep local workforce services available through local job service offices and to maintain the employment services provided by the department

Usages of ESA

In the years since the assessment and fund were established, the legislature has used the ESA for a variety of employment related services. The 2001 legislature appropriated ESA funds for all or a portion of the following purposes:

- Workforce Services Division Operations
- Apprenticeship and Training
- Employment Relations Division
- Legal/Hearings Bureau
- Research and Analysis Bureau
- Unemployment Insurance Division

In the August 2002 Special Session, the executive recommended and the legislature approved a funding switch from general fund to the ESA for all or a portion of a variety of programs, including:

- Jobs for Montana Graduates
- Apprenticeship Grants
- Displaced Homemakers
- Job Registry
- Section 110 Vocational Rehabilitation in the Department of Public Health and Human Services (DPHHS)
- Extended Employment Vocational Rehabilitation in DPHHS
- Youth Challenge Program in the Department of Military Affairs
- Montana School for the Deaf and Blind

The executive contended that all of the programs were training-related programs that met the basic requirements of the agreement made by the department to the employers of Montana. The 2003 legislature also used ESA funds to replace all or a portion of the general fund in several job preparation programs in DOLI in the 2005 biennium:

- Jobs for Montana Graduates
- Hearings Bureau
- Displaced Homemakers
- Office of Community Services
- Human Rights Bureau

The use of the ESA funds for these purposes was done without reducing support for the programs previously funded with ESA because of the availability of federal Reed Act funds. General fund was reduced by approximately \$1.2 million over the biennium and replaced with ESA funding. The Reed Act funds replaced ESA in the Workforce Services Division.

No federal Reed Act funds are available in the 2007 biennium. Consequently, the executive proposes restoring general fund for those programs with funding replaced with ESA funds in the 2005 biennium. The following figure shows actual and proposed uses of the ESA since FY 2003 and the current account status.

Figure 1
Employment Security Account
Revenues and Expenditures
FY 2003 Through Projected 2007

Components	Actuals FY 2003	Actuals FY 2004	Budgeted FY 2005	Budgeted FY 2006	Budgeted FY 2007
Adj. Beginning Balance	\$1,430,249	\$2,190,823	\$3,394,414	\$4,105,607	\$5,040,055
Revenues					
Tax Collections	6,933,254	7,558,239	7,545,000	7,816,000	8,086,000
Investment Earnings	38,807	44,216	49,749	55,244	62,776
Total Revenue	<u>6,972,061</u>	<u>7,602,455</u>	<u>7,594,749</u>	<u>7,871,244</u>	<u>8,148,776</u>
Expenditures					
Apprenticeship & Training	284,658	323,993	285,810	333,650	334,272
Employment Relations Division	854,749	869,782	946,161	958,279	960,706
Workforce Services Operations	158,484	4,222,458	4,411,901	4,919,873	5,055,194
Legal/Hearings	198,882	154,575	235,120	198,977	199,277
Research & Analysis Bureau	160,121	96,838	101,463	108,100	108,355
Unemployment Insurance Div.	447,427	117,917	298,563	417,917	417,917
Sub Total	2,104,321	5,785,563	6,279,018	6,936,796	7,075,721
2002 Special Session/2003 Regular Session Funding Switches					
Jobs for Montana Graduates	532,983	158,456	150,027		
Apprenticeship Grants	140,000	0	0		
Displaced Homemakers	219,762	212,608	212,573		
Job Registry	18,805	0	0		
DPHHS Voc-Rehab-section-110	1,182,264	0	0		
DPHHS Voc-Rehab-extended	782,933	0	0		
Youth Project Challenge	1,117,624	(1,052)	0		
School for Deaf and Blind	111,000	0	0		
Legal/Hearings Human Rights	0	49,040	48,105		
ERD Human Rights	0	193,506	192,090		
OCS	0	743	743		
Sub Total	<u>\$4,105,371</u>	<u>\$613,301</u>	<u>\$603,538</u>	<u>\$0</u>	<u>\$0</u>
Total Expenditures*	<u>\$6,209,692</u>	<u>\$6,398,864</u>	<u>\$6,882,556</u>	<u>\$6,936,796</u>	<u>\$7,075,721</u>
Ending Fund Balance	<u>\$2,190,823</u>	<u>\$3,394,414</u>	<u>\$4,105,607</u>	<u>\$5,040,055</u>	<u>\$6,113,110</u>

*Any increases due to 2007 pay plan proposals are not included in the total. The executive estimates pay plan increases of \$480,000 in FY 2006 and \$880,000 in FY 2007 funded from the ESA if the Governor's proposed pay plan were to be enacted. These amounts would fund pay plan expenditures from the ESA in a significantly higher percentage than the fund supports personal services in total. The ESA funded 15.7 percent of personal services in FY 2004 and 14.5 percent in FY 2007. IF the FY 2004 ratio were applied in the 2007 biennium, the ESA would fund about \$125,000 in FY 2006 and \$320,000 in FY 2007 of total 2007 biennium pay plan costs.

LFD ISSUE

Given the structural balance, large fund balance, and flexibility for expenditures from the ESA granted in statute, there are a number of potential uses of the ESA, either to expand programs or to replace general fund. Consequently, there are two issues for legislative consideration:

- 1) Does the legislature wish to continue funding the programs listed in Figure 1 with ESA funds in the 2007 biennium?
- 2) Does the legislature wish the balance in the ESA to continue to grow?

**LFD
ISSUE
CONT.***Continuation of Programs*

As shown in Figure 1, the ESA would be able to absorb funding for all programs funded with ESA in the 2005 biennium (see Figure 2) and still maintain a structural balance (revenues would continue to exceed expenditures). Therefore, the legislature has two options:

Option A – Continue to fund the programs listed in Figure 2 with ESA funds in the 2007 biennium. The anticipated ending fund balance would grow from \$3.4 million in FY 2004 to \$4.8 million in FY 2007.

Option B – Accept the executive proposal to replace funding for the programs in Figure 2 with general fund.

Fund Balance

As stated, not only is there a structural balance in the ESA, the fund balance is significant and growing. Therefore, the question for the legislature is whether the maintenance of a large and growing fund balance is the desired public policy of the legislature.

As mentioned earlier, there are a number of potential uses of the ESA, including programs funded in the 2003 biennium, such as the National Guard Challenge Program and certain vocational education and rehabilitation functions. Any consideration of expanded uses must also be tempered, however, with consideration of the following:

- Ongoing structural balance of the fund, particularly if on-going program costs are funded in excess of on-going revenues to the account. If the legislature considers adding expenditures beyond the anticipated revenues, it may wish to examine one-time only expenditures
- Potential “storing” of the fund balance for future emergencies or special projects
- Potential future adjustment of the level of assessment on employers

Option A – Fund other programs with the ESA in addition to programs funded with the ESA in the 2003 biennium. Among the programs currently funded with general fund in the 2007 executive budget are the Challenge Program in the Department of Military Affairs, displaced homemakers, and vocational rehabilitation functions in the Department of Public Health and Human Services. This option would begin to spend down the fund balance, and would result in a structural imbalance.

Option B – Accept the executive proposal and/or continue to fund programs funded in the 2005 biennium with ESA.

Program Proposed Budget

The following table summarizes the executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	302.45	(0.25)	0.00	302.20	(0.25)	0.00	302.20	302.20
Personal Services	11,555,867	986,897	0	12,542,764	982,818	0	12,538,685	25,081,449
Operating Expenses	4,783,957	137,128	0	4,921,085	137,816	0	4,921,773	9,842,858
Equipment	79,168	0	0	79,168	0	0	79,168	158,336
Capital Outlay	0	0	0	0	0	0	0	0
Grants	14,637,948	0	0	14,637,948	0	0	14,637,948	29,275,896
Transfers	129,297	0	0	129,297	0	0	129,297	258,594
Total Costs	\$31,186,237	\$1,124,025	\$0	\$32,310,262	\$1,120,634	\$0	\$32,306,871	\$64,617,133
General Fund	363,669	10,727	363,222	737,618	10,726	362,600	736,995	1,474,613
State/Other Special	7,024,859	232,028	241,195	7,498,082	430,126	241,817	7,696,802	15,194,884
Federal Special	23,797,709	881,270	(604,417)	24,074,562	679,782	(604,417)	23,873,074	47,947,636
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$31,186,237	\$1,124,025	\$0	\$32,310,262	\$1,120,634	\$0	\$32,306,871	\$64,617,133

Program Description

The Workforce Services Division (WSD) operates through five bureaus: Field Operations Bureau, Workforce Technology, Statewide Workforce Programs, Job Service Programs, and Research and Analysis. The Field Operations Bureau functions through a network of 17 Job Service Centers. The division is a gateway to government services in the area of employment and training services. The WSD performs services that include retraining and reemployment services for laid-off workers and employment and training services for people transitioning from welfare to work, as well as for youth, veterans, seasonal/migrant farm workers, and general job seekers.

Program Highlights

Workforce Services Division Major Budget Highlights
<ul style="list-style-type: none"> Increases of \$2.2 million over the 2007 biennium are primarily due to statewide present law adjustments, rent, and indirect assessments for the support of Centralized Services Division Changes in funding sources are due to a proposed funding switch from federal Reed Act funding to state special revenues of \$241,000 per year and general fund of \$363,000 per year
Major LFD Issues
<ul style="list-style-type: none"> A proposed funding switch from one-time Reed Act funds to general fund and employment security account

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommended by the Governor.

Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01100 General Fund	\$ 363,669	1.2%	\$ 737,618	2.3%	\$ 736,995	2.3%
02069 Natural Resource Worker Sb322	13,508	0.0%	13,508	0.0%	13,508	0.0%
02258 Employment Security Account	4,932,048	15.8%	5,361,623	16.6%	5,497,821	17.0%
02288 Mjtp Subgrants/Contracts	1,954,423	6.3%	1,975,103	6.1%	2,034,865	6.3%
02315 Dli Info Exchange/Rental	77,730	0.2%	81,381	0.3%	83,912	0.3%
02455 Workers' Comp Regulation	47,150	0.2%	66,467	0.2%	66,696	0.2%
03124 Employment Trng Grants	2,698,467	8.7%	2,721,721	8.4%	2,792,988	8.6%
03126 Workforce Investment Act	10,057,331	32.2%	10,057,331	31.1%	10,057,331	31.1%
03128 L & I Federal Funding	698,573	2.2%	751,581	2.3%	761,081	2.4%
03131 Osha Stat Prgm Fed.St Sdy	47,319	0.2%	66,467	0.2%	66,696	0.2%
03194 Research/Analysis Crn	826,995	2.7%	930,152	2.9%	932,371	2.9%
03297 Labor And Industry Veteran Gra	688,198	2.2%	700,157	2.2%	721,118	2.2%
03682 Wagner Peyser	5,473,631	17.6%	5,618,413	17.4%	5,772,634	17.9%
03692 Alien Labor Certification(Alc)	59,501	0.2%	59,532	0.2%	61,065	0.2%
03693 Wrk Opportunities Tx Crdt/Wotc	64,607	0.2%	79,414	0.2%	71,484	0.2%
03694 Trade Adjustment Assist/Nafta	2,513,121	8.1%	3,076,069	9.5%	2,622,581	8.1%
03954 Ui Administrative Grants	65,549	0.2%	13,725	0.0%	13,725	0.0%
03967 Ui Reed Act	604,417	1.9%	-	-	-	-
Grand Total	\$ 31,186,237	100.0%	\$ 32,310,262	100.0%	\$ 32,306,871	100.0%

The WSD is funded with a mixture of general fund, state special, and federal special revenues, which are used to support an assortment of operations within the division. General fund authority supports the Jobs for Montana Graduates program (JMG) and the State Displaced Homemaker Program. JMG assists Montana at-risk high school students to stay in school, graduate, and successfully transition from school to work. The displaced homemaker is an individual who has been providing unpaid services to family members in the home, has been dependent on the income of another family member, and is no longer supported by that income and is unemployed. These expenses have historically been funded with general fund, but were replaced with state special revenue (Employment Service Account, ESA) in the 2003 legislative session. The executive is proposing a funding switch to restore general fund for this program in the 2005 legislative session. The 2003 legislature eliminated all general fund from the Job Registry program and requested legislation to remove the program from statute. Portions of the Job Registry program ultimately were transferred to the Department of Administration.

State special revenues include \$10.3 million in ESA funding and \$4.0 million in Workforce Investment Act (WIA) subgrants and contracts, including National Emergency Grants to retrain dislocated workers following a mass lay-off.

Federal funding includes \$20.1 million in WIA funds, \$16.3 million in federal Labor and Industry funds, and \$5.7 million in Trade Adjustment Assistance funding.

The federal funding formulas have remained basically the same as in previous biennia. The funding level is determined by the state's ranking amongst other states within several economic categories. These categories consist of the following:

- The number of unemployed workers
- The unemployment rate
- The number of residents considered economically disadvantaged

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				1,520,603						1,516,330
Vacancy Savings				(523,066)						(522,907)
Inflation/Deflation				(31,444)						(32,399)
Fixed Costs				(70,912)						(69,714)
Total Statewide Present Law Adjustments				\$895,181		\$891,310				
DP 6 - Workforce Services Division Operating Adjustments										
0.00	0	100,587	125,547	226,134		0.00	0	99,871	126,708	226,579
DP 7 - Statewide FTE Reduction										
(0.25)	(10,640)	0	0	(10,640)		(0.25)	(10,605)	0	0	(10,605)
DP 999 - Empowerment Zone										
0.00	13,350	0	0	13,350		0.00	13,350	0	0	13,350
Total Other Present Law Adjustments										
(0.25)	\$2,710	\$100,587	\$125,547	\$228,844		(0.25)	\$2,745	\$99,871	\$126,708	\$229,324
Grand Total All Present Law Adjustments				\$1,124,025		\$1,120,634				

Statewide Present Law Adjustments

Statewide personal services adjustments consist primarily of:

- 12.35 FTE positions vacant during the base year
- Annualized 2005 biennium pay plan

DP 6 - Workforce Services Division Operating Adjustments - The executive is requesting an increase in the department's cost allocation plan of \$202,833 in FY 2006 and \$201,003 in FY 2007 and rent increases in the Research and Analysis Bureau of \$23,301 in FY 2006 and \$25,576 in FY 2007. Funding is from state and federal special revenue.

LFD COMMENT

For a more detailed explanation on indirect costs, the cost allocation plans, and the basis for assessing indirect costs charged to each program, refer to the discussion on rates contained in the program narrative for the Commissioner's Office and Centralized Services Division.

DP 7 - Statewide FTE Reduction - A reduction of \$10,600 general fund per year is requested to permanently eliminate 0.25 FTE from the WSD.

The elimination of this 0.25 FTE is part of the statewide FTE reduction proposal by the Governor to make permanent a personal services reduction made by the 2003 legislature.

LFD COMMENT

For a further discussion of the statewide FTE reduction, see Volume 1 of the "LFD Budget Analysis".

DP 999 - Empowerment Zone - The executive proposes to restore general fund authority given in the 2003 legislative session under HB 564, which allows a tax credit for businesses that create new jobs within empowerment zones. An empowerment zone is an area where the average unemployment or poverty rate for a given period is at least 150 percent of the statewide rate for the same period.

New Proposals

New Proposals										
Fiscal 2006						Fiscal 2007				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - General Fund/ESA/Reed Act Funding Switch										
01	0.00	363,222	241,195	(604,417)	0	0.00	362,600	241,817	(604,417)	0
Total	0.00	\$363,222	\$241,195	(\$604,417)	\$0	0.00	\$362,600	\$241,817	(\$604,417)	\$0

DP 1 - General Fund/ESA/Reed Act Funding Switch - The executive is proposing a funding switch from the one-time distribution of Reed Act funds and replacing them with general fund and ESA funds. In the 2003 Legislative session, general fund was replaced with ESA funds and back-filled with Reed Act funds in the Jobs for Montana Graduates and Displaced Homemakers programs. The executive is requesting these programs be funded with general fund at \$363,000 per year. Additionally, the executive is requesting an increase in the indirect cost that supports the Centralized Services Division of \$241,000 per year in ESA funds. This request is to restore the 2003 legislative session one-time-only funding switch in the Workforce Services Division (WSD).

**LFD
ISSUE**

While the Reed Act funds are no longer available and a funding switch is necessary if the programs funded with Reed Act in the 2005 biennium are to continue, the ESA could continue to fund these programs and maintain a structural balance in the account.

For additional information on ESA and Reed Act funding, please see the agency narrative.

Proprietary Rates**Proprietary Program Description**

The Montana Career Information System (MCIS) has been active in Montana since 1980. The purpose of MCIS is to deliver current career and labor market information to Montanans in an easy-to-use and easy-to-understand format. This is the only career information delivery system in the country that has specific Montana labor market information included in each file. MCIS is currently being used at over 200 sites throughout the state by a wide variety of users including: job service offices, vocational rehabilitation offices, high schools, community colleges, universities, tribal colleges, educational and training agencies, and adult education programs.

Proprietary Revenues and Expenses

Revenue comes to MCIS by billing users for the software and licensing. The working capital (60 day) for FY 2006 is \$23,066.

Proprietary Rate Explanation

The fees charged by MCIS are not to exceed \$1,500 per site. High schools with enrollments over 200, all postsecondary schools, and all agencies and businesses are charged \$1,150 per year. Smaller high schools are charged \$575-977 depending on enrollment, and school districts are charged \$2,000 per year. Discounted rates are available for small schools and groups.

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Fund	Fund Name	Agency #	Agency Name	Program Name
6051	Montana Career Info System	66020	Dept. of Labor & Industry	Workforce Services Division

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
g Revenues:						
ue						
es for Services	173,590	146,940	127,819	177,923	140,321	140,574
Net Fee Revenue	173,590	146,940	127,819	177,923	140,321	140,574
ent Earnings	-	-	-	-	-	-
s Lending Income	-	-	-	-	-	-
s	-	-	-	-	-	-
erating Revenues	6	-	4	-	-	-
Total Operating Revenue	173,596	146,940	127,823	177,923	140,321	140,574
g Expenses:						
Services	78,111	82,144	67,664	90,408	69,622	69,658
erating Expenses	90,690	59,076	56,631	87,515	70,699	70,916
l Operating Expenses	168,801	141,220	124,295	177,923	140,321	140,574
g Income (Loss)	4,795	5,720	3,528	-	-	-
ating Revenues (Expenses):						
ss) Sale of Fixed Assets	-	-	-	-	-	-
ndirect Cost Recoveries	-	-	-	-	-	-
nonoperating Revenues (Expenses)	-	-	-	-	-	-
Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Loss) Before Operating Transfers	4,795	5,720	3,528	-	-	-
puted Capital	-	-	-	-	-	-
ing Transfers In (Note 13)	-	-	-	-	-	-
ing Transfers Out (Note 13)	-	-	-	-	-	-
ange in net assets	4,795	5,720	3,528	-	-	-
Assets- July 1 - As Restated	15,261	20,056	25,776	29,304	29,304	29,304
od Adjustments	-	-	-	-	-	-
ve effect of account change	-	-	-	-	-	-
Assets - July 1 - As Restated	15,261	20,056	25,776	29,304	29,304	29,304
ts- June 30	20,056	25,776	29,304	29,304	29,304	29,304
of expenses						
Operating Expenses divided by 6)	28,134	23,537	20,716	29,654	23,387	23,429

Program Proposed Budget

The following table summarizes the executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	150.50	6.00	0.00	156.50	6.00	0.00	156.50	156.50
Personal Services	4,394,003	1,862,001	0	6,256,004	1,859,575	0	6,253,578	12,509,582
Operating Expenses	2,491,240	713,767	0	3,205,007	713,943	0	3,205,183	6,410,190
Equipment	7,126	0	0	7,126	0	0	7,126	14,252
Benefits & Claims	(265)	0	0	(265)	0	0	(265)	(530)
Transfers	0	0	0	0	0	0	0	0
Debt Service	3,775	0	0	3,775	0	0	3,775	7,550
Total Costs	\$6,895,879	\$2,575,768	\$0	\$9,471,647	\$2,573,518	\$0	\$9,469,397	\$18,941,044
State/Other Special	127,613	300,000	0	427,613	300,000	0	427,613	855,226
Federal Special	6,768,266	2,275,768	0	9,044,034	2,273,518	0	9,041,784	18,085,818
Total Funds	\$6,895,879	\$2,575,768	\$0	\$9,471,647	\$2,573,518	\$0	\$9,469,397	\$18,941,044

Program Description

The Unemployment Insurance (UI) Division administers the state unemployment insurance law and related federal programs, which provide temporary, partial wage replacement to involuntarily unemployed individuals. The UI Division is organized into four bureaus: UI Contributions, UI Benefits, UI Program Support, and UI Phone Claims. The UI Tax administration was transferred back to the Department of Labor from the Department of Revenue by the 2003 Legislature under SB 271. The Contributions Bureau is responsible for UI tax collection and employer audits. The UI Benefits Bureau is responsible for Trade Readjustment Assistance, military, federal and multi-state claims, Benefit Payment Control, wage revisions, and clerical support. The UI Program Support Bureau manages the information technology systems and infrastructure, the Division budget and accounting, and the UI trust fund. They also provide management analysis and research for economic, program management, reporting and legislative purposes, in addition to operating tax and benefit quality control and integrity programs. The UI Phone Claims Bureau has two phone centers (Billings and Helena) for claimants to file unemployment claims, and for employers to make UI related inquiries.

Program Highlights

Unemployment Insurance Division Major Budget Highlights	
<ul style="list-style-type: none"> Increases of \$5.1 million consist of an 88 percent increase in federal funds and a 12 percent increase in state funds. These increases are primarily due to: <ul style="list-style-type: none"> \$1.8 million in on-going costs associated with the transfer of the UI Contributions Bureau from the Department of Revenue, including the addition of 6 FTE \$3.2 million in statewide present law adjustments 	

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommended by the Governor.

Program Funding Table						
Unemployment Insurance Division						
Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
02258 Employment Security Account	\$ 117,917	1.7%	\$ 417,917	4.4%	\$ 417,917	4.4%
02315 Dli Info Exchange/Rental	9,696	0.1%	9,696	0.1%	9,696	0.1%
03277 U.I. Penalty & Interest	80,658	1.2%	-	-	-	-
03278 Ui Penalty & Interest	-	-	380,658	4.0%	380,658	4.0%
03944 Ui Supplemental Grants	22,985	0.3%	-	-	-	-
03954 Ui Administrative Grants	<u>6,664,623</u>	<u>96.6%</u>	<u>8,663,376</u>	<u>91.5%</u>	<u>8,661,126</u>	<u>91.5%</u>
Grand Total	<u>\$ 6,895,879</u>	<u>100.0%</u>	<u>\$ 9,471,647</u>	<u>100.0%</u>	<u>\$ 9,469,397</u>	<u>100.0%</u>

The UI division is funded with state special revenue funds and federal funds. State special revenue consists of the Employment Security Account (ESA) and information exchange/rental funds. Federal funds are derived from UI Administrative Grants of \$8.6 million per year and UI penalty and interest of \$380,658 per year.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				1,824,946					1,822,877
Vacancy Savings				(248,759)					(248,675)
Inflation/Deflation				(8,404)					(8,582)
Fixed Costs				34,830					35,368
Total Statewide Present Law Adjustments				\$1,602,613					\$1,600,988
DP 5 - Transfer UI Contributions Bureau from DOR to DLI	3.00	0	300,000	531,213	3.00	0	300,000	530,647	830,647
DP 7 - Unemployment Insurance Division Budget Adjustments	3.00	0	0	141,942	3.00	0	0	141,883	141,883
Total Other Present Law Adjustments	6.00	\$0	\$300,000	\$673,155	6.00	\$0	\$300,000	\$672,530	\$972,530
Grand Total All Present Law Adjustments				\$2,575,768					\$2,573,518

Statewide Present Law Adjustments

The net increase in statewide personal service costs of \$3.2 million is primarily due to:

- The transfer of the UI Contributions Bureau staff from the Department of Revenue. The 43 FTE totaling \$1,810,595 per year are not in the base year expenditures
- Annualized 2005 biennium pay plan

DP 5 - Transfer UI Contributions Bureau from DOR to DLI – The executive is proposing additional state special revenues of \$300,000 per year from the ESA and \$531,000 per year from UI Administrative Grants and Penalty and

Interest Funds. This request would complete the transfer of the Contributions Bureau, and the executive states that no additional expenditures are expected in the future. The proposed increases include the following:

- Increased expenditures for 6 leased vehicles for field auditors at \$32,175 per year
- Indirect costs of \$152,585 in FY 2006 and \$152,415 in FY 2007 to support centralized services in DOLI
- Funding for 3 additional FTE: 1) 1.00 FTE for computer support for the transferred UI staff; and 2) 2.0 FTE for ongoing programming on the MAC UI tax system. Total personal services costs are \$166,913 in FY 2006 and \$167,517 in FY 2007
- Computer processing and telephone charges from the Department of Administration of \$295,000 per year.
- Rental of non-state building of \$80,000 per year
- Printing, photocopying, postage, and miscellaneous office expenditures of \$79,500 per year

LFD COMMENT

The 2003 legislature passed SB 271, which required the replacement of the Process Oriented Integrative System (POINTS) in the Department of Revenue (DOR), which was also housing the unemployment insurance tax collections function, with a new computer system. SB 271 transferred the function of collecting unemployment insurance to the Department of Labor & Industry (DLI), including 43 FTE, and added a one-time-only appropriation of Reed Act funding of \$2.5 million. In the process of conversion, DLI was to use the Montana Automated Contribution (MAC) UI tax system. The MAC system had not been used since November 1999, when the UI tax collections function was originally transferred to DOR. Thus, extensive reprogramming was done, mainly to account for the changes in federal and state laws, and for environmental changes due to automation. The UI tax collection function came under the directive of DLI on July 1, 2004, using the reprogrammed MAC system. The increase in costs is essentially due to losses of economies of scale due to the transfer.

LFD COMMENT

For a more detailed explanation on indirect costs, the cost allocation plans, and the basis for assessing indirect costs charged to each program, refer to the discussion on rates contained in the program narrative for the Commissioner's Office and Centralized Services Division.

DP 7 - Unemployment Insurance Division Budget Adjustments - The executive requests additional federal funding authority from the UI Administrative Grants of \$141,942 in FY 2006 and \$141,833 in FY 2007. This proposal includes the following requests:

- Restoration of per diem for the Board of Labor Appeals for \$8,000 a year. The per diem request equals the base year expenditure
- Indirect costs of \$38,041 in FY 2006 and \$38,027 in FY 2007
- Funding for two FTE in the Claims Processing Center to serve as customer service representatives, and additional funding for one FTE as a collection technician. Total funding costs approximately \$95,000 per year

LFD COMMENT

Per diem is a zero-based budget item. Base expenditures are removed from the adjusted base figures each biennium, and must be requested through a decision package as a present law adjustment to be restored.

LFD COMMENT

For a more detailed explanation on indirect costs, the cost allocation plans, and the basis for assessing indirect costs charged to each program, refer to the discussion on rates contained in the program narrative for the Commissioner's Office and Centralized Services Division.

Proprietary Rates

Proprietary Program Description

The Department of Labor and Industry (DLI) collects the contributions paid by employers, based on their industry or individual experience rate, to pay for unemployment insurance. DLI expends the funds by paying Unemployment Insurance benefit claims.

Proprietary Revenues and Expenses

The revenues received in the proprietary fund are for the Unemployment Insurance Program tax collections, federal reimbursement for claims on federal employees, military personnel, and claimants in other states, and interest earnings to the Unemployment Insurance Trust Fund. The expenditures are unemployment insurance benefits paid to claimants while unemployed, including federal withholding tax and child support payments the claimants elected to have taken out of the benefit check.

Proprietary Rate Explanation

The Unemployment Insurance Division administers the state unemployment insurance law. There is no proprietary rate but a collection of contributions, based upon past claim history, from employers that are then used to pay the unemployment insurance benefits to claimants who have involuntarily become unemployed.

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Fund	Fund Name	Agency #	Agency Name	Program Name				
6069	UI Tax Benefit Fund	66020	Dept. of Labor & Industry	Unemployment Insurance Division				
			Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:								
Fee revenue								
Net Fee Revenue								
Investment Earnings			12,200,096	12,633,936	11,338,624	16,701,111	16,701,111	16,701,111
Securities Lending Income			-	-	-	-	-	-
Unemployment Insurane Contributions			59,597,829	66,346,545	67,256,743	62,000,000	63,735,100	63,735,100
Other Operating Revenues			30,045,098	15,875,865	16,916,759	5,100,000	5,100,000	5,100,000
Total Operating Revenue			101,843,023	94,856,346	95,512,126	83,801,111	85,536,211	85,536,211
Operating Expenses:								
Personal Services								
Other Operating Expenses			-	-	-	-	-	-
Total Operating Expenses			-	-	-	-	-	-
Operating Income (Loss)			101,843,023	94,856,346	95,512,126	83,801,111	85,536,211	85,536,211
Nonoperating Revenues (Expenses):								
Gain (Loss) Sale of Fixed Assets								
Federal Indirect Cost Recoveries			-	-	-	-	-	-
Benefits (Expenses)			(83,775,353)	(92,496,510)	(93,881,684)	(81,323,547)	(81,889,199)	(81,889,199)
Other Nonoperating Revenues (Expenses)			-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)			(83,775,353)	(92,496,510)	(93,881,684)	(81,323,547)	(81,889,199)	(81,889,199)
Income (Loss) Before Operating Transfers			18,067,670	2,359,836	1,630,442	2,477,564	3,647,012	3,647,012
Contributed Capital								
Operating Transfers In (Note 13)			-	-	-	-	-	-
Operating Transfers Out (Note 13)			-	(4,315,354)	(3,647,012)	(2,477,564)	(3,647,012)	(3,647,012)
Change in net assets			18,067,670	(1,955,518)	(2,016,570)	-	-	-
Total Net Assets- July 1 - As Restated			177,577,026	195,571,729	193,632,207	191,065,707	191,065,707	191,065,707
Prior Period Adjustments			(72,967)	15,996	(549,930)	-	-	-
Cumulative effect of account change			-	-	-	-	-	-
Total Net Assets - July 1 - As Restated			177,504,059	195,587,725	193,082,277	191,065,707	191,065,707	191,065,707
Net Assets- June 30			195,571,729	193,632,207	191,065,707	191,065,707	191,065,707	191,065,707
60 days of expenses								
(Total Operating Expenses divided by 6)			13,962,559	15,416,085	15,646,947	13,553,925	13,648,200	13,648,200

Program Proposed Budget

The following table summarizes the executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	20.00	0.00	0.00	20.00	0.00	0.00	20.00	20.00
Personal Services	976,246	241,151	0	1,217,397	240,592	0	1,216,838	2,434,235
Operating Expenses	247,942	32,590	0	280,532	34,326	0	282,268	562,800
Total Costs	\$1,224,188	\$273,741	\$0	\$1,497,929	\$274,918	\$0	\$1,499,106	\$2,997,035
General Fund	115,598	22,348	56,194	194,140	22,075	56,102	193,775	387,915
State/Other Special	648,139	170,080	(56,194)	762,025	170,563	(56,102)	762,600	1,524,625
Federal Special	399,499	62,058	0	461,557	63,884	0	463,383	924,940
Proprietary	60,952	19,255	0	80,207	18,396	0	79,348	159,555
Total Funds	\$1,224,188	\$273,741	\$0	\$1,497,929	\$274,918	\$0	\$1,499,106	\$2,997,035

Program Description

The Commissioner's Office and the Legal and Centralized Services Division (CSD) provide program direction, legal, administration, and support services to the department. Legal and Centralized Services provides the central support functions of the department through five bureaus: 1) Fiscal Support; 2) Technical Services; 3) Human Resources; 4) Hearings; and 5) Legal Services.

Program Highlights

Commissioner's Office/ Centralized Services Division Major Budget Highlights
<ul style="list-style-type: none"> Most of the division budget is funded by proprietary funds and is not appropriated by the legislature in HB 2 The increases in appropriated funds are due primarily to: increases in indirect costs to support the division and statewide present law adjustments A Proposed funding switch from ESA to general fund for support of the Human Rights Bureau

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommended by the Governor.

Program Funding Table Commissioner'S Office/Csd						
Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01100 General Fund	\$ 115,598	9.4%	\$ 194,140	13.0%	\$ 193,775	12.9%
02258 Employment Security Account	203,611	16.6%	198,977	13.3%	199,277	13.3%
02315 Dli Info Exchange/Rental	1,546	0.1%	1,546	0.1%	1,546	0.1%
02448 Building Codes State Spec Rev	76,763	6.3%	94,689	6.3%	96,964	6.5%
02455 Workers' Comp Regulation	153,116	12.5%	191,550	12.8%	194,287	13.0%
02824 Board Of Medical Examiners	67,451	5.5%	81,545	5.4%	74,669	5.0%
02833 Board Of Nursing	71,008	5.8%	94,689	6.3%	96,269	6.4%
02941 Uninsured Employer Fund	74,644	6.1%	99,029	6.6%	99,588	6.6%
03122 Eeoc	16,251	1.3%	20,285	1.4%	20,242	1.4%
03954 Ui Administrative Grants	383,248	31.3%	441,272	29.5%	443,141	29.6%
06546 Commissioner'S Office/Csd	<u>60,952</u>	<u>5.0%</u>	<u>80,207</u>	<u>5.4%</u>	<u>79,348</u>	<u>5.3%</u>
Grand Total	<u>\$ 1,224,188</u>	<u>100.0%</u>	<u>\$ 1,497,929</u>	<u>100.0%</u>	<u>\$ 1,499,106</u>	<u>100.0%</u>

The Commissioner's Office and Legal and Centralized Services Division are funded from several different sources:

- Proprietary funding from the department's internal cost allocation plan accounts for 5 percent of the department's funding (For further information on the department's cost allocation plan, refer to proprietary rates at the end of this program)
- Federal special revenue accounts for 31 percent of funding and is derived from the UI Administration Grants and the Equal Employment Opportunity Commission
- State special revenue comprises 55 percent of funding and is mixture of employment security account (ESA), Building Codes Bureau, Worker's Comp Regulation, Board of Medical Examiners, Board of Nursing, and the Uninsured Employer Fund
- General fund accounts for 9 percent of division funding, and is used for expenditures associated with Centralized Services Division support of the Human Rights Bureau in the Employment Relations Division. This function was funded with ESA funds in the 2005 biennium

LFD COMMENT

HB 2 only appropriates a small portion of the total expenditures for the division. The HB 2 appropriation provides spending authority for the Hearings Bureau and the Office of Legal Services. Proprietary funds provide 66 percent of all spending authority to the Commissioner's Office Division, which is not appropriated by the legislature.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					291,874					291,296
Vacancy Savings					(50,723)					(50,704)
Inflation/Deflation					(2,307)					(2,295)
Fixed Costs					6,877					7,266
Total Statewide Present Law Adjustments					\$245,721					\$245,563
DP 8 - Commissioner's Office/CSD - Base Adjustment	0.00	2,454	18,738	5,565	28,020 *	0.00	2,698	18,959	6,266	29,355 *
Total Other Present Law Adjustments	0.00	\$2,454	\$18,738	\$5,565	\$28,020 *	0.00	\$2,698	\$18,959	\$6,266	\$29,355 *
Grand Total All Present Law Adjustments					\$273,741 *					\$274,918 *

DP 8 - Commissioner's Office/CSD - Base Adjustment - The executive requests \$28,020 in FY 2006 and \$29,335 in FY 2007 for an increase in indirect costs to support the Centralized Services Division. The funding sources for this request include all sources of funding appropriated in HB 2 for the division.

LFD COMMENT

For a more detailed explanation on indirect costs, the cost allocation plans, and the basis for assessing indirect costs charged to each program, refer to the discussion on rates contained in the program narrative at the end of this program.

New Proposals

New Proposals										
-----Fiscal 2006-----						-----Fiscal 2007-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3 - General Fund/ESA Fund Switch										
03	0.00	56,194	(56,194)	0	0	0.00	56,102	(56,102)	0	0
Total	0.00	\$56,194	(\$56,194)	\$0	\$0	0.00	\$56,102	(\$56,102)	\$0	\$0

DP 3 - General Fund/ESA Fund Switch - DP 3 - General Fund/ESA Fund Switch - The executive requests restoring general fund of \$56,000 per year to the Human Rights Bureau. General fund was replaced in the 2003 legislative session with ESA funding as a one-time only funding switch in the Human Rights Bureau.

LFD COMMENT

For additional information on ESA and Reed Act funding, please see the program narrative in the combined agency program.

Proprietary Rates

Proprietary Program Description

Cost Allocation Plan (CAP) - The Commissioner's Office and Centralized Services Division are funded through a cost allocation plan under which the other divisions in the department are assessed a percentage of their personal services costs to support centralized functions.

Technical Services Bureau- The bureau recovers costs for services to provide traffic control of data input, jobs for the mainframe computer system, and report output.

Hearings Bureau- The bureau is responsible for providing administrative hearings to the Business Standards Division's boards and the Building Codes Bureau.

Proprietary Revenues and Expenses

There are no changes in projected services from the 2005 biennium. The goal of the program is to assess costs of centralized functions equitably to all divisions to keep fees commensurate with costs while maintaining a 60-day working capital.

Proprietary Rate Explanation

Cost Allocation Plan- The CAP rate is determined by dividing projected non-CAP personal services expenditures by the projected costs of providing centralized services.

Technical Services Bureau- Users are directly charged for the services received and are billed quarterly. Charges are estimated during the budget submission process, and actual costs incurred are charges to the appropriate division/bureau.

Hearings Bureau- Attorneys and legal assistants charge their time based on hourly rates.

2007 Biennium Report on Internal Service and Enterprise Funds 2007							
Fund	Fund Name	Agency #	Agency Name	Program Name			
6546	Commissioner's Office/CSD						
6547	L/CSD - Direct Charge	66020	Dept. of Labor & Industry	Commissioner's Office/CSD			
6574	BSD Hearings						

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Cost Allocation Plan (CAP)-Nonfederal	(846,344)	1,068,785	1,288,725	1,500,543	1,771,780	1,700,370
Cost Allocation Plan (CAP)-Federal	1,868,635	1,091,891	968,250	977,662	852,662	852,662
Revenue from Fee C	-	-	-	-	-	-
Revenue from Fee D	-	-	-	-	-	-
Revenue from Fee E	-	-	-	-	-	-
Revenue from Fee F	-	-	-	-	-	-
Net Fee Revenue	1,022,291	2,160,676	2,256,975	2,478,205	2,624,442	2,553,032
Investment Earnings	-	-	-	-	-	-
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	1,195,050	-	113	985	985	985
Total Operating Revenue	2,044,582	4,321,352	2,257,088	2,479,190	2,625,427	2,554,017
Operating Expenses:						
Personal Services	1,690,810	1,723,180	1,744,439	1,796,026	1,886,220	1,889,062
Other Operating Expenses	584,332	479,354	521,712	533,155	739,207	664,955
Total Operating Expenses	2,275,142	2,202,534	2,266,151	2,329,181	2,625,427	2,554,017
Operating Income (Loss)	(230,560)	2,118,818	(9,063)	150,009	-	-
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	(6,377)	-	(1,768)	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	(6,377)	-	(1,768)	-	-	-
Income (Loss) Before Operating Transfers	(236,937)	2,118,818	(10,831)	150,009	-	-
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	(8,136)	-	-	-	-
Change in net assets	(236,937)	2,110,682	(10,831)	150,009	-	-
Total Net Assets- July 1 - As Restated	327,637	334,947	303,979	293,148	443,157	443,157
Prior Period Adjustments	60,541	19,026	-	-	-	-
Cumulative effect of account change	10,947	-	-	-	-	-
Total Net Assets - July 1 - As Restated	399,125	353,973	303,979	293,148	443,157	443,157
Net Assets- June 30	162,188	2,464,655	293,148	443,157	443,157	443,157
60 days of expenses						
(Total Operating Expenses divided by 6)	379,190	367,089	377,692	388,197	437,571	425,670

Program Proposed Budget

The following table summarizes the executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	116.50	(0.15)	0.00	116.35	(0.15)	0.00	116.35	116.35
Personal Services	5,271,367	140,445	0	5,411,812	137,758	0	5,409,125	10,820,937
Operating Expenses	2,396,068	133,618	0	2,529,686	103,755	0	2,499,823	5,029,509
Equipment	28,281	0	0	28,281	0	0	28,281	56,562
Benefits & Claims	187,064	0	0	187,064	0	0	187,064	374,128
Total Costs	\$7,882,780	\$274,063	\$0	\$8,156,843	\$241,513	\$0	\$8,124,293	\$16,281,136
General Fund	652,774	10,579	193,506	856,859	12,192	192,090	857,056	1,713,915
State/Other Special	6,599,569	258,009	(193,506)	6,664,072	221,688	(192,090)	6,629,167	13,293,239
Federal Special	630,437	5,475	0	635,912	7,633	0	638,070	1,273,982
Total Funds	\$7,882,780	\$274,063	\$0	\$8,156,843	\$241,513	\$0	\$8,124,293	\$16,281,136

Program Description

The Employment Relations Division (ERD) provides five service areas:

- The Workers' Compensation (WC) Regulation Bureau regulates WC insurance coverage requirements, policy compliance, medical regulations, contractor registration, and independent contractor exemptions
- The WC Claims Assistance Bureau assists organizations and individuals to arrive at early, less expensive settlements of their disputes and provides management information on the workers' compensation system
- The Labor Standards Bureau (and administratively attached Board of Personnel Appeals) enforces state and federal labor laws related to the payment of wages, and provides collective bargaining mediation
- The Safety Bureau administers federal and state industrial safety laws
- The Human Rights Bureau (and administratively attached Human Rights Commission) enforces the Montana Human Rights Act and Governmental Code of Fair Practices through investigations, conciliation, hearings, and education

Program Highlights

Employment Relations Division Major Budget Highlights	
<ul style="list-style-type: none"> • A funding switch from state special revenues (ESA) to general fund of \$193,000 per year is proposed for the Human Rights Bureau • Other increases are primarily due to: <ul style="list-style-type: none"> • Increased costs of debt collection in the Uninsured Employers' Fund • Increased indirect costs to support administrative functions • A one-time-only request to update a new medical fee schedule 	

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommended by the Governor.

Program Funding Table						
Employment Relations Div						
Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01100 General Fund	\$ 652,774	8.3%	\$ 856,859	10.5%	\$ 857,056	10.5%
02236 Industrial Accident Rehab	42,673	0.5%	20,582	0.3%	18,631	0.2%
02258 Employment Security Account	1,063,291	13.5%	958,279	11.7%	960,706	11.8%
02263 Subsequent Injury Admin	30,361	0.4%	30,564	0.4%	30,654	0.4%
02315 Dli Info Exchange/Rental	8,801	0.1%	-	-	-	-
02346 Contractor Registration	319,488	4.1%	324,941	4.0%	325,422	4.0%
02455 Workers' Comp Regulation	4,325,739	54.9%	4,408,218	54.0%	4,370,467	53.8%
02941 Uninsured Employer Fund	809,216	10.3%	921,488	11.3%	923,287	11.4%
03122 Eeoc	97,363	1.2%	103,363	1.3%	103,363	1.3%
03130 Coal Mine Safety	119,598	1.5%	119,531	1.5%	119,997	1.5%
03195 On-Site Consultation	413,476	5.2%	413,018	5.1%	414,710	5.1%
Grand Total	<u>\$ 7,882,780</u>	<u>100.0%</u>	<u>\$ 8,156,843</u>	<u>100.0%</u>	<u>\$ 8,124,293</u>	<u>100.0%</u>

The five ERD services areas are funded with several sources of funds:

- General fund supports a portion of the Human Rights Bureau and the Silicosis and Social Security Benefit program, accounting for 8 percent of divisional funding
- State special revenue funds account for 84 percent of total funding within the division, being comprised of: Industrial Accident Rehab, which provides retraining benefits to injured workers; Employment Security Account, which funded a portion of the Human Rights Bureau in the 2005 biennium; Uninsured Employer Fund, which provides benefits payments to injured workers; Workers Comp Regulation; and fees paid for the independent contractor exemption and contractor registration
- Federal funding comprises 8 percent of total funding for the division and is derived from coal mine safety, on-site consultation, and the equal employment opportunity account
- Proprietary funds from the Subsequent Injury Account provide benefits to assist disabled individuals in becoming employed by offering financial incentives to those employers who hire them and account for less than 1 percent of total funding for ERD

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----					-----Fiscal 2007-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				361,661						358,827
Vacancy Savings				(225,324)						(225,205)
Inflation/Deflation				(35,158)						(34,566)
Fixed Costs				(32,511)						(31,379)
Total Statewide Present Law Adjustments				\$68,668						\$67,677
DP 1 - Statewide FTE Reduction										
(0.15)	(8,492)	0	0	(8,492)	(0.15)	(8,464)	0	0		(8,464)
DP 9 - Employment Relations Div - Base Adjustment										
0.00	5,053	149,932	8,902	163,887	0.00	6,723	165,628	9,949		182,300
DP 10 - One-Time-Only contract with INGENIX										
0.00	0	50,000	0	50,000	0.00	0	0	0		0
Total Other Present Law Adjustments										
(0.15)	(\$3,439)	\$199,932	\$8,902	\$205,395	(0.15)	(\$1,741)	\$165,628	\$9,949		\$173,836
Grand Total All Present Law Adjustments				\$274,063						\$241,513

DP 1 - Statewide FTE Reduction - A reduction of \$8,400 general fund per year is requested to permanently eliminate 0.15 FTE from the Employment Relations Division.

The elimination of this 0.15 FTE is part of the statewide FTE reduction proposal by the Governor to make permanent a personal services reduction made by the 2003 legislature.

LFD COMMENT

For a further discussion on statewide FTE reductions, see Volume 1 of the LFD Budget Analysis.

DP 9 - Employment Relations Div - Base Adjustment - The executive requests a mixture of general fund, state special, and federal special revenue authority for the following:

- Restoring of per diem expenses for two boards (Board of Personnel Appeals, and Human Rights Commission) for \$12,600 per year. The base year expenditure is \$4,850; historically the amount of the appropriation has been consistent with this request
- Funding authority increases for the agency's indirect cost allocation plan of \$45,189 in FY 2006, and \$60,122 in FY 2007
- Debt collection cost for the uninsured employers' fund (UEF) of \$100,000 per year. Funding is from UEF

LFD COMMENT

The Uninsured Employer's Fund (UEF) is a proprietary fund created to ensure benefit payments are made to any employee injured while on the job, working for an uninsured employer. The purpose of the fund is to protect employees by providing benefits in the same manner as if the employer was insured with workers' compensation.

All benefits paid to the injured worker are assessed to the uninsured employer as penalties and could be assessed up to double the normal premium for workers' compensation.

**LFD
COMMENT
CONT.**

The problem encountered with the UEF is when benefits are paid to the injured worker and the employer does not comply with the request for payments assessed from the UEF. The ERD starts collection proceedings for 60 days and if there are no results, turns the account over for professional collections. ERD entered into a contract with a new collection agency (GS Services). Who will begin collections on outstanding debt on November 15, 2004. In the past several years, previous collections amounted to less than 15 percent of all debt turned over for collections

GS Services will start with an account receivables balance of \$7.9 million in uncollected receivables and UEF is anticipating a more aggressive collection strategy from GS Services. The executive is proposing an increase in funding authority to ensure enough appropriation is granted to meet the cost of collections. The costs of collections is a 20 percent assessment charged on all outstanding accounts receivables collected by GS Services.

**LFD
COMMENT**

Per diem is a zero-based budget item. Base expenditures are removed from the adjusted base figures each biennium, and must be requested through a decision package as a present law adjustment to be restored.

**LFD
COMMENT**

For a more detailed explanation on indirect costs, the cost allocation plans, and the basis for assessing indirect costs charged to each program, refer to the discussion on rates contained in the program narrative for the Commissioner's Office and Centralized Services Division.

DP 10 - One-Time-Only contract with INGENIX - The executive requests a one-time-only appropriation of \$50,000 from the Workers' Comp Regulation fund in FY 2006 to update a new medical fee schedule, which is used as the basis for Medicare and Medicaid reimbursements.

New Proposals

New Proposals										
-----Fiscal 2006-----						-----Fiscal 2007-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2 - General Fund/ESA Fund Switch										
04	0.00	193,506	(193,506)	0	0	0.00	192,090	(192,090)	0	0
Total	0.00	\$193,506	(\$193,506)	\$0	\$0	0.00	\$192,090	(\$192,090)	\$0	\$0

DP 2 - General Fund/ESA Fund Switch - The executive requests restoring general fund of \$193,506 in FY 2006 and \$192,090 in FY 2007 for the Human Rights Bureau. General fund was replaced with state special revenue (Employment Security Account) in the 2003 legislative session as a one-time-only funding switch in the Human Rights Bureau.

**LFD
COMMENT**

For additional information on ESA and Reed Act funding, please see the program narrative in the combined agency program

Proprietary Rates**Proprietary Program Description**

The Subsequent Injury Fund was established in 1973 to assist disabled persons in becoming employed by offering a financial incentive to the employers who hire them. The incentive has a limit of 104 weeks of benefits paid by the employee's workers' compensation carrier in the event of an on-the-job injury to the certified employee, thus minimizing workers' compensation expenses. Beginning July 1, 1999, the fund is maintained by annual assessment of all Montana Workers' compensation insurers, including self-insured employers, private insurers, and the State Fund. The asset balance is maintained at approximately \$1,700,000 to provide an operating balance for payment of benefits and administrative costs.

Proprietary Revenues and Expenses

Beginning July 1, 1999, the fund is maintained by an annual assessment on all workers' compensation policyholders, which is collected by all Montana workers' compensation insurers. The assessment is statutorily set (Title 39-71-915 MCA) at the amount expended by the fund for the benefit payments plus the cost of administration in the previous calendar year, less other income. The assessment is allocated among Plan 1, Plan 2, and Plan 3 insurers based on their compensation and medical payments for the previous calendar year. Thus, any rate beyond one year into the future is an unknown, and based solely on the insured's current year's use.

Proprietary Rate Explanation

The assessment for the Subsequent Injury Fund is allocated among insurers based on their compensation and medical payments for the previous calendar year per 39-71-915, MCA.

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Fund	Fund Name	Agency #	Agency Name	Program Name
6040	Subsequent Injury-Trust Fund	66020	Dept. of Labor & Industry	Employment Relations Division

	Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Subsequent Injury Fund Assessment	101,045	8,622	72,075	94,100	48,700	48,700
Revenue from Fee B	-	-	-	-	-	-
Revenue from Fee C	-	-	-	-	-	-
Revenue from Fee D	-	-	-	-	-	-
Revenue from Fee E	-	-	-	-	-	-
Revenue from Fee F	-	-	-	-	-	-
Net Fee Revenue	101,045	8,622	72,075	94,100	48,700	48,700
Investment Earnings	141,382	144,619	11,270	4,610	4,610	4,610
Securities Lending Income	17,879	10,935	4,658	4,600	4,600	4,600
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	334	400	400	400
Total Operating Revenue	260,306	164,176	88,337	103,710	58,310	58,310
Operating Expenses:						
Personal Services	-	-	-	-	-	-
Other Operating Expenses	(370,220)	521,804	176,657	250,309	172,558	172,558
Total Operating Expenses	(370,220)	521,804	176,657	250,309	172,558	172,558
Operating Income (Loss)	630,526	(357,628)	(88,320)	(146,599)	(114,248)	(114,248)
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	630,526	(357,628)	(88,320)	(146,599)	(114,248)	(114,248)
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	(33,203)	(35,072)	(28,877)	(33,203)	(28,877)	(28,877)
Change in net assets	597,323	(392,700)	(117,197)	(179,802)	(143,125)	(143,125)
Total Net Assets- July 1 - As Restated	(614,196)	(16,873)	(409,573)	(526,770)	(706,972)	(850,097)
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	(614,196)	(16,873)	(409,573)	(526,770)	(706,972)	(850,097)
Net Assets- June 30	(16,873)	(409,573)	(526,770)	(706,572)	(850,097)	(993,222)
60 days of expenses						
(Total Operating Expenses divided by 6)	(61,703)	86,967	29,443	41,718	28,760	28,760

Program Proposed Budget

The following table summarizes the executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	109.03	0.00	0.00	109.03	0.00	0.00	109.03	109.03
Personal Services	4,528,538	523,880	0	5,052,418	530,694	0	5,059,232	10,111,650
Operating Expenses	5,295,151	1,140,502	0	6,435,653	1,209,056	0	6,504,207	12,939,860
Equipment	243,845	39,000	0	282,845	35,000	0	278,845	561,690
Grants	9,519	0	0	9,519	0	0	9,519	19,038
Benefits & Claims	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$10,077,053	\$1,703,382	\$0	\$11,780,435	\$1,774,750	\$0	\$11,851,803	\$23,632,238
State/Other Special	10,076,960	1,703,475	0	11,780,435	1,774,843	0	11,851,803	23,632,238
Proprietary	93	(93)	0	0	(93)	0	0	0
Total Funds	\$10,077,053	\$1,703,382	\$0	\$11,780,435	\$1,774,750	\$0	\$11,851,803	\$23,632,238

Program Description

The Business Standards Division consists of four bureaus:

- The Building Codes Bureau (BCB) establishes and enforces minimum building, plumbing, mechanical, electrical, energy, elevator and boiler codes for use throughout Montana, including factory-built buildings and approves and certifies local government code enforcement programs to utilize codes adopted by the bureau. The BCB also assists the Board of Plumbers and State Electrical Board with license law enforcement by checking for proper licensing when inspecting projects for code compliance
- The Weights & Measures Bureau (WMB) is responsible for licensing, inspecting, testing and certifying all weighing and measuring devices used in making commercial transactions in Montana. The WMB also enforces laws and regulations pertaining to the quality control of prepackaged goods, the quality control of petroleum products, and responsibility for maintaining the state standards of mass and volume, applied when calibrating other mass and volume standards, used in testing commercial devices
- The Health Care Licensing Bureau (HCLB) provides administrative, clerical and compliance support for 19 licensing boards and one program, which licenses professionals and individuals working in the health care field. The licensing boards and program in HCLB include 118 board members and 6 advisory counsel members appointed by the Governor
- The Business & Occupational Licensing Bureau (BOLB) provides administrative, clerical, and compliance support for 13 licensing boards and four licensing programs that license professionals and individuals working in non-health-care-related professions and occupations.

Program Highlights

Business Standards Division Major Budget Highlights	
<ul style="list-style-type: none">Increases of \$3.4 million in state special revenue are primarily due to the following:<ul style="list-style-type: none">Indirect costs and recharges add \$1.4 millionStatewide present law adjustments add \$740,000 over the bienniumContinuation of legal contingency fund is \$70,000 per yearIncrease of professional services for \$290,000 over the bienniumIncreased travel and restoring per diem costs for the four bureaus add \$552,000 over the biennium	

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommended by the Governor.

Program Funding Table Business Standards Division						
Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
02034 Earmarked Alcohol Funds	\$ 25,243	0.3%	\$ 35,905	0.3%	\$ 35,466	0.3%
02078 Occupational Therapists	34,565	0.3%	43,070	0.4%	43,145	0.4%
02079 Fire Protection & Permitting	26,924	0.3%	22,109	0.2%	19,013	0.2%
02109 Board Of Outfitters	418,559	4.2%	419,614	3.6%	420,883	3.6%
02155 Boiler,Blaster,Crane Licensing	191,109	1.9%	212,994	1.8%	212,766	1.8%
02160 Legal Contingency Fund	-	-	70,000	0.6%	70,000	0.6%
02359 Chemical Dependency Counselors	73,185	0.7%	50,635	0.4%	51,426	0.4%
02446 Board Of Psychologist Exam	66,902	0.7%	67,251	0.6%	67,257	0.6%
02448 Building Codes State Spec Rev	3,798,238	37.7%	4,166,374	35.4%	4,192,266	35.4%
02805 Weights & Measures Bureau	730,464	7.2%	838,409	7.1%	838,623	7.1%
02808 Board Of Landscape Architects	55,825	0.6%	63,040	0.5%	63,813	0.5%
02809 Board Of Speech Pathologists	31,368	0.3%	39,926	0.3%	40,213	0.3%
02810 Bd Of Radiologic Technologists	65,725	0.7%	92,595	0.8%	93,415	0.8%
02811 Clinical Lab Science Pract.	39,796	0.4%	65,196	0.6%	65,078	0.5%
02812 Physical Therapists	36,332	0.4%	91,938	0.8%	92,836	0.8%
02813 Bd Of Nursing Home Admin	41,776	0.4%	60,612	0.5%	60,817	0.5%
02814 Bd Of Hearing Aid Dispensers	31,381	0.3%	39,286	0.3%	39,494	0.3%
02815 Board Of Public Accountants	292,073	2.9%	323,143	2.7%	326,354	2.8%
02816 Board Of Sanitarians	11,488	0.1%	16,797	0.1%	15,277	0.1%
02818 Electrical Board	250,027	2.5%	285,383	2.4%	286,621	2.4%
02819 Board Of Realty Regulations	505,806	5.0%	632,672	5.4%	636,254	5.4%
02820 Board Of Architects	88,933	0.9%	111,532	0.9%	111,393	0.9%
02821 Board Of Funeral Service	53,477	0.5%	68,827	0.6%	68,536	0.6%
02822 Board Of Chiropractors	64,695	0.6%	82,948	0.7%	82,963	0.7%
02823 Professional Engineers	271,094	2.7%	289,837	2.5%	291,219	2.5%
02824 Board Of Medical Examiners	619,876	6.2%	747,665	6.3%	754,357	6.4%
02826 Cosmetology Board	375,900	3.7%	425,955	3.6%	428,944	3.6%
02828 Board Of Plumbers	151,607	1.5%	181,480	1.5%	181,373	1.5%
02829 Private Investigator	96,275	1.0%	125,699	1.1%	127,289	1.1%
02830 Board Of Dentistry	171,226	1.7%	171,176	1.5%	171,692	1.4%
02831 Board Of Optometrists	37,650	0.4%	50,136	0.4%	49,313	0.4%
02832 Board Of Pharmacy	313,557	3.1%	493,392	4.2%	499,720	4.2%
02833 Board Of Nursing	681,867	6.8%	848,423	7.2%	862,273	7.3%
02834 Board Of Veterinarians	52,702	0.5%	117,144	1.0%	118,150	1.0%
02835 Board Of Barbers	16,984	0.2%	-	-	-	-
02840 Board Of Social Workers	100,068	1.0%	107,273	0.9%	108,149	0.9%
02841 Board Of Athletics	57,952	0.6%	80,193	0.7%	84,162	0.7%
02852 Bd. Of Alternative Health Care	31,780	0.3%	53,021	0.5%	52,861	0.4%
02854 Bd. Of Real Estate Appraisers	140,122	1.4%	151,809	1.3%	151,149	1.3%
02855 Bd Of Respiratory Care	24,409	0.2%	36,976	0.3%	37,243	0.3%
06552 Admin Services	93	0.0%	-	-	-	-
Grand Total	\$ 10,077,053	100.0%	\$ 11,780,435	100.0%	\$ 11,851,803	100.0%

The Business Standards Division is funded exclusively with state special revenue. There are currently 41 different state special revenue funds accounting for 40 different business organizations and one statutorily appropriated funding source; the alcohol tax. These 41 different funds encompass the 4 bureaus in the Business Standards Division. The bureaus are:

- Building Codes Bureau, which is funded from inspection fees deposited into the building codes state special revenue fund
- Weights and Measures Bureau, which derives revenue primarily from annual license fees levied against all commercial weighing or measuring devices, including scales or gas pumps certified by the bureau
- Health Care Licensing Bureau, which is funded with state special revenue from the licensing boards and programs it oversees
- Business and Occupational Licensing Bureau, which is funded with state special revenue from the licensing boards and programs it oversees

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----					-----Fiscal 2007-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				578,791					581,563	
Vacancy Savings				(204,291)					(204,399)	
Inflation/Deflation				(18,267)					(18,144)	
Fixed Costs				8,472					15,910	
Total Statewide Present Law Adjustments				\$364,705					\$374,930	
DP 11 - Health Care Licensing Bureau - Base Adj.	0.00	0	585,929	0	585,929	0.00	0	613,901	0	613,901
DP 12 - Business & Occupational Licensing Bureau-Base Adj	0.00	0	464,011	0	464,011	0.00	0	478,897	0	478,897
DP 13 - Building Codes Bureau - Base Adj.	0.00	0	137,181	0	137,181	0.00	0	157,210	0	157,210
DP 14 - Weights & Measures Bureau - Base Adj.	0.00	0	81,556	0	81,556	0.00	0	79,812	0	79,812
DP 18 - Legal Contingency Fund	0.00	0	70,000	0	70,000	0.00	0	70,000	0	70,000
Total Other Present Law Adjustments										
	0.00	\$0	\$1,338,677	\$0	\$1,338,677	0.00	\$0	\$1,399,820	\$0	\$1,399,820
Grand Total All Present Law Adjustments				\$1,703,382					\$1,774,750	

Statewide Present Law Adjustments

The increases in statewide personal services present law adjustments consist of the following:

- 9.50 FTE's positions vacant at least six months during the base year
- Annualized 2005 biennium pay plan

DP 11 - Health Care Licensing Bureau - Base Adj. – The executive requests additional increases in state special revenue authority of \$585,929 in FY 2006 and \$613,901 in FY 2007, for the following items:

- Restore per diem of \$86,800 in FY 2006 and \$89,500 in FY 2007. The requested amount for per diem is approximately \$30,000 over base year expenditures
- Add indirect costs and recharges of \$289,425 in FY 2006 and \$328,635 in FY 2007 to support centralized services division
- Add contracted professional services of \$105,240 in FY 2006 and \$102,302 in FY 2007
- Provide additional travel for board members of \$76,228 per year. In the Health Care Licensing Bureau, 11 different boards request attending regional and national regulatory meetings

DP 12 - Business & Occupational Licensing Bureau-Base Adj - The executive is proposing additional increases in state special revenue authority of \$464,011 in FY 2006 and \$478,897 in FY 2007 for the following items:

- Restoration of per diem of \$46,050 in FY 2006 and \$47,500 in FY 2007. The requested amount for per diem is approximately \$10,000 over base year expenditures
- Additional indirect costs and recharges of \$291,025 in FY 2006 and \$321,610 in FY 2007 to support centralized services division
- Restore overtime of \$16,530 per year. The request for overtime is consistent with past years
- Additional travel for board members of \$37,580 per year
- Contracted professional services of \$40,646 in FY 2006 and \$41,147 in FY 2007

**LFD
COMMENT**

Overtime and per diem are zero-based expenditure items that are removed from the adjusted base and must be requested in a decision package under a present law adjustment to be restored.

DP 13 - Building Codes Bureau - Base Adj. - The executive requests additional state special revenue authority from the building codes fund account for the following items:

- Indirect costs and recharges of \$72,008 in FY 2006 and \$90,537 in FY 2007
- Information technology increases in server database of \$16,000 per year, and connectivity charges for bureau staff of \$20,175 per year
- Lodging, meals, and gasoline for \$27,498 a year. The additional requests in the program are due to 2.2 FTE vacant in the base year

DP 14 - Weights & Measures Bureau - Base Adj. - The executive requests additional state special revenue from the weights and measures fund account for the following items:

- Indirect costs and recharges of \$12,655 in FY 2006 and \$14,250 in FY 2007
- Building lease for the Weights and Measures Lab for \$16,173 in FY 2006 and \$16,834 in FY 2007. The old building lease expired in FY 2004 and the agency signed a new lease for a different building
- Purchase of one pickup truck in FY 2006 for \$23,000 and two van bodies for \$16,000. In FY 2007 replace one service truck, van body, hoist, and weight carts for \$35,000. The bureau's replacement cycle replaces vehicles after 100,000 miles of use. The two existing vehicles will have approximately 125,000 miles at the time of replacement

**LFD
COMMENT**

For a more detailed explanation on indirect costs, the cost allocation plans, and the basis for assessing indirect costs charged to each program, refer to the discussion on rates contained in the program narrative at the end of this program.

DP 18 - Legal Contingency Fund - The executive requests reestablishing the legal contingency fund for \$70,000 each year for the Business & Occupational and Health Care Licensing Bureaus. This request is proposed at the same level as requested and appropriated during the 2003 session. This proposal would support all boards within the Business Standards Division with most legal matters.

Proprietary Rates

Proprietary Program Description

The Business Standards Division maintains an internal service fund to provide administrative and support services to its 4 bureaus and 34 boards. Common costs of operation, including a 60-day working capital, are assessed through recharges to the various state special revenue accounts on an equitable basis.

Proprietary Revenues and Expenses

Division level operating costs are assessed to the four bureaus on an FTE basis, with assessments as follows: Building Codes Bureau – 44.8 percent, Weights and Measures Bureau – 8.2 percent, Health Care Licensing Bureau – 22.4 percent, and Business and Occupational Licensing Bureau – 24.6 percent. The division level, bureau level, and legal services operating costs assessments for HCLB & BOLB are passed through to the boards and programs located in each bureau on the basis of board/program-direct allocation of FTE. The boards listed by bureau are as follows:

HCLB

Bd. of Chiropractors
Bd. of Dentistry
Bd. of Hearing Aid Dispensers
Bd. of Respiratory Care Practice
Bd. of Alternative Health Care
Bd. of Medical Examiners
Bd. of Funeral Services
Bd. of Nursing
Bd. of Nursing Home Admin.
Bd. of Optometry
Bd. of Pharmacy
Bd. of Veterinary Medicine
Bd. of Psychologists
Bd. of Speech Pathologists
Bd. of Radiologic Tech.
Bd. of Social Workers & Prof Counselors
Bd. of Physical Therapists
Bd. of Occupational Therapists
Bd. of Clinical Lab. Science Practice
Licensed Addiction Counselors

BOLB

Bd. of Architects
Bd. of Athletics
Bd. of Barbers/Cosmetologists
State Electrical Board
Bd. of Outfitters
Bd. of Prof. Eng. & Land Surveyors
Bd. of Public Accountants
Bd. of Realty Regulation
Board of Real Estate Appraisers
Bd. of Sanitarians
Bd. of Private Sec. Patrol Officers
Bd. of Landscape Architects
Bd. of Plumbers
Fire Prevention Installers License
Boiler, Blaster, Crane License

Proprietary Rate Explanation

Recharge rates are allocated to the state special revenue accounts based upon projected expenditures. Each program is assigned a percentage rate based on assigned FTE. That percentage is then applied to determine each program's share of the necessary revenues. Legal services expenditures are part of the overall recharge amounts, but fall under Centralized Services Division's budget rather than in the Business Standards Division.

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Fund	Fund Name	Agency #	Agency Name	Program Name		
6552	Admin Services	66020	Dept. of Labor & Industry	Business Standards Division		
					Actual FY02	Actual FY03
					Actual FY04	Budgeted FY05
					Budgeted FY06	Budgeted FY07
Operating Revenues:						
Fee revenue						
Charges for Services						
Net Fee Revenue					2,000,000	2,000,000
Investment Earnings					2,283,254	2,503,853
Securities Lending Income					2,811,152	2,889,277
Premiums					-	-
Other Operating Revenues					-	-
Total Operating Revenue					2,000,000	2,000,000
Operating Expenses:						
Personal Services					1,319,065	1,576,313
Other Operating Expenses					647,677	561,740
Total Operating Expenses					1,966,742	2,138,053
Operating Income (Loss)					33,258	(138,053)
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets					345	-
Federal Indirect Cost Recoveries					-	-
Other Nonoperating Revenues (Expenses)					-	-
Net Nonoperating Revenues (Expenses)					345	-
Income (Loss) Before Operating Transfers					33,603	(138,053)
Contributed Capital					-	-
Operating Transfers In (Note 13)					-	60,000
Operating Transfers Out (Note 13)					-	-
Change in net assets					33,603	(78,053)
Total Net Assets- July 1 - As Restated					(20,404)	48,613
Prior Period Adjustments					-	-
Cumulative effect of account change					-	-
Total Net Assets - July 1 - As Restated					(20,404)	48,613
Net Assets- June 30					13,199	(29,440)
60 days of expenses						
(Total Operating Expenses divided by 6)					327,790	356,342
					388,272	394,057
					468,525	481,546

Program Proposed Budget

The following table summarizes the executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	4.00	0.00	0.00	4.00	0.00	0.00	4.00	4.00
Personal Services	142,543	15,564	0	158,107	16,031	0	158,574	316,681
Operating Expenses	103,389	15,664	0	119,053	39,197	0	142,586	261,639
Grants	2,164,437	0	0	2,164,437	0	0	2,164,437	4,328,874
Total Costs	\$2,410,369	\$31,228	\$0	\$2,441,597	\$55,228	\$0	\$2,465,597	\$4,907,194
General Fund	23,484	13,235	743	37,462	36,287	743	60,514	97,976
State/Other Special	743	0	(743)	0	0	(743)	0	0
Federal Special	2,386,142	17,993	0	2,404,135	18,941	0	2,405,083	4,809,218
Total Funds	\$2,410,369	\$31,228	\$0	\$2,441,597	\$55,228	\$0	\$2,465,597	\$4,907,194

Program Description

The Office of Community Services (OCS) provides administration of Federal Corporation for National Service programs (AmeriCorps and Campus Corps), community service, and volunteer efforts statewide, including the Volunteer Montana program.

Program Highlights

Office of Community Services Major Budget Highlights	
<ul style="list-style-type: none"> The increase in general fund is predominantly for the matching requirement for the Corporation for National Service grant 	
Major LFD Issues	
<ul style="list-style-type: none"> Office of Community Service match can be funded with other sources of revenue 	

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommended by the Governor.

Program Funding Table Office Of Community Services						
Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01100 General Fund	\$ 23,484	1.0%	\$ 37,462	1.5%	\$ 60,514	2.5%
02258 Employment Security Account	743	0.0%	-	-	-	-
03322 Mt Community Service Fsr	<u>2,386,142</u>	<u>99.0%</u>	<u>2,404,135</u>	<u>98.5%</u>	<u>2,405,083</u>	<u>97.5%</u>
Grand Total	<u>\$ 2,410,369</u>	<u>100.0%</u>	<u>\$ 2,441,597</u>	<u>100.0%</u>	<u>\$ 2,465,597</u>	<u>100.0%</u>

Federal funds provide 98 percent of total funding for the OCS program with the remainder provided by general fund. The required state match for the program administration grant is funded by general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				22,152					22,638
Vacancy Savings				(6,588)					(6,607)
Inflation/Deflation				(56)					(53)
Fixed Costs				1,341					1,455
Total Statewide Present Law Adjustments				\$16,849					\$17,433
DP 19 - Office of Community Services - Base Adj.	0.00	328	0	1,310	0.00	420	0	1,679	2,099
DP 21 - Office of Community Service Funding Match	0.00	12,741	0	0	0.00	35,696	0	0	35,696
Total Other Present Law Adjustments	0.00	\$13,069	\$0	\$1,310	0.00	\$36,116	\$0	\$1,679	\$37,795
Grand Total All Present Law Adjustments				\$31,228					\$55,228

DP 19 - Office of Community Services - Base Adj. - The executive requests additional federal special revenues and general fund for increases in indirect costs that support the administrative functions in the Centralized Services Division.

LFD COMMENT

For a more detailed explanation on indirect costs, the cost allocation plans, and the basis for assessing indirect costs charged to each program, refer to the discussion on rates contained in the program narrative for the Commissioner's Office and Centralized Services Division.

DP 21 - Office of Community Service Funding Match - The executive requests general fund authority, for the required state match of 100 percent of the administrative grant received from the Corporation for National Service. The OCS receives a federal grant from the Corporations for National Service each year for \$2.4 million; within the grant is an administrative grant for \$143,000.

LFD ISSUE

The \$2.4 million Corporation for National Service grant requires a 100 percent match on the administrative grant portion, which totals \$143,000 each year of the 2007 biennium. The match can be met with either state funds or in-kind services. OCS generates a portion of the required match from in-kind services through radio promotions, annual conferences, and other training activities, and is requesting the remaining match requirement through the general fund.

The remaining match requirement could be funded with Employment Security Account funds (ESA) instead of the general fund. With the community development offered in the Corporation for National Service grant, funding from the ESA would comply with the underlying premise of the account.

For further discussion on the ESA account see program narrative in the combined agency overview.

New Proposals

New Proposals										
Program	FTE	Fiscal 2006				Fiscal 2007				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 4 - General Fund/ESA Fund Switch										
07	0.00	743	(743)	0	0	0.00	743	(743)	0	0
Total	0.00	\$743	(\$743)	\$0	\$0	0.00	\$743	(\$743)	\$0	\$0

DP 4 - General Fund/ESA Fund Switch - The executive requests restoring general fund that was replaced with Employment Security Account funds in the 2003 legislative session as a one-time-only funding switch.

**LFD
COMMENT**

For additional information on ESA and Reed Act funding, please see the program narrative in the combined agency program.

Program Proposed Budget

The following table summarizes the executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	5.00	1.00	0.00	6.00	1.00	0.00	6.00	6.00
Personal Services	324,253	88,931	0	413,184	87,989	0	412,242	825,426
Operating Expenses	110,371	30,580	0	140,951	31,763	0	142,134	283,085
Total Costs	\$434,624	\$119,511	\$0	\$554,135	\$119,752	\$0	\$554,376	\$1,108,511
State/Other Special	434,624	119,511	0	554,135	119,752	0	554,376	1,108,511
Total Funds	\$434,624	\$119,511	\$0	\$554,135	\$119,752	\$0	\$554,376	\$1,108,511

Program Description

The Workers' Compensation Court provides a forum for Montana employees and the insurance industry to resolve disputes arising from work-related injuries and occupational disease. The court is attached to the department for administrative purposes only.

Program Highlights

Workers Compensation Court Major Budget Highlights	
<ul style="list-style-type: none"> The increase of \$239,00 over the biennium is primary due to the following two factors: <ul style="list-style-type: none"> An increase of 1.0 FTE for an additional attorney An increase in professional services 	

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommended by the Governor.

Program Funding Table Workers Compensation Court						
Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
02455 Workers' Comp Regulation	\$ 434,624	100.0%	\$ 554,135	100.0%	\$ 554,376	100.0%
Grand Total	\$ 434,624	100.0%	\$ 554,135	100.0%	\$ 554,376	100.0%

The Workers Compensation Court is exclusively funded with workers compensation regulation funds from assessments on employers, insurers, and state funds. This fund was formed to pay for workers compensation regulation.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				24,580					23,843
Vacancy Savings				(13,952)					(13,925)
Inflation/Deflation				(1,510)					(1,478)
Fixed Costs				(1,873)					(1,876)
Total Statewide Present Law Adjustments				\$7,245					\$6,564
DP 20 - Workers' Compensation Court - Base Adj.									
0.00	0	23,963	0	23,963	0.00	0	25,117	0	25,117
DP 902 - Workers' Compensation Staff Attorney									
1.00	0	88,303	0	88,303	1.00	0	88,071	0	88,071
Total Other Present Law Adjustments									
1.00	\$0	\$112,266	\$0	\$112,266	1.00	\$0	\$113,188	\$0	\$113,188
Grand Total All Present Law Adjustments				\$119,511					\$119,752

DP 20 - Workers' Compensation Court - Base Adj. - The executive requests additional state special revenue authority for anticipated additional services provided by the special masters/hearings examiners for the Workers' Compensation Court (WCC) in the 2007 biennium. The source of the state special revenue is the workers' compensation regulation fund (WCR).

LFD COMMENT

The WCC has maintained a consistent number of petitions filed over the years (see Figure 2). Recently, a larger number of petitions have been settled under the support of the court's hearing examiner rather than being tried in court. The executive is proposing to increase spending authority to increase the services of the hearings examiners in order to reduce the number of court cases.

Figure 2 Workers' Compensation Court Caseloads Per Year				
Actions	2001	2002	2003	2004
Petitions Filed	228	243	229	261
Trials & Hearings	57	61	58	67
Settlement Conferences	9	21	29	51
Published Decisions	66	66	72	85

DP 902 - Workers' Compensation Staff Attorney - The executive is requesting additional funding to hire one additional staff attorney for the Workers' Compensation Court (WCC). The source of the state special revenue is the WCR fund.

LFD COMMENT

Due to a recent Montana Supreme Court decision regarding the common fund doctrine, the WCC workload could increase dramatically. The decision in *Ruhd v. Liberty Insurance* has identified 57 insurers who potentially owe benefits as a result of that decision. The common fund decision requires the WCC to supervise benefits payments and attorney fees in these cases. The WCC expects several more common fund cases involving a large number of claimants and insurers. The executive is proposing to increase spending authority for 1.0 FTE to help with the anticipated caseload.